

State Agency Budget Request Highlights 2023-25

BACKGROUND: In September of even numbered years, state agencies submit their projections around budget needs for the coming biennium. These budget requests generally include “cost to continue” information and are guided by directions from the Governor’s office regarding the projected state financial outlook. While the state now anticipates a significant \$5 billion surplus rolling into the 2023-25 biennium, the Governor directed the majority of state agencies to restrict their requests to “costs to continue.”

In general, these early budget submissions do not include much information about the administration’s overarching policy and spending priorities, however, they provide an initial framing for anticipated costs.

Overall state agencies are requesting more than \$3.5 billion in new state general purpose revenue (GPR) expenditures with a few state agencies, including a \$2.5 billion upper from the Department of Public Instruction, accounting for a significant portion of the increased state GPR request.

What follows is a summary of items of interest to WAFCA members from key state agencies. Between now and early in 2023, WAFCA will be connecting with administration leaders about emerging budget priorities and working with our WAFCA network to advocate for member concerns. For a helpful overview of the budget process and where tax dollars go, see the [WI Budget Project toolkit](#).

NOTE: The details in this document may be updated as additional analysis/information emerges.

DEPARTMENT OF HEALTH SERVICES ([full request](#))

The DHS biennial budget request incorporates Medicaid expansion to cover adults up to 138% of the federal poverty level and realize additional federal financing participation to reduce GPR expenditures by more than \$1.5 billion. The budget projections assume a return to Medicaid enrollment at pre-pandemic levels, adjusted for historic trends. The Department notes that the increase is consistent with Medicaid growth in past biennia. Among the specific needs noted in the cover letter is the anticipated operational costs associated with the new 65 bed addition at the Mendota Juvenile Treatment Center. The request proposes a 12.3% increase in all funds.

Noteworthy performance measure goals include the reduction in the percentage of youth under age 18 admitted and readmitted to Winnebago Mental Health Institutes; increasing employment for FSET participants; and increasing immunizations for residents at long-term care facilities.

Medicaid expansion. Adopt option under the Affordable Care Act to increase Medicaid coverage for individuals from 100% FPL to 138% FPL. Due to increased FMAP, adopting federal Medicaid expansion results in state savings of \$1.5 billion in GPR over the biennium.

Maintain ARPA HCBS Increase. Request increase of \$18 million GPR and \$28.2 million FED in FY24 and an increase of \$74.7 million GPR and \$118.6 million FED in FY25 to fund continued costs associated with the ARPA HCBS general rate increase of 5% for Medicaid home and community-based services. The 5% increase applies to 42 service categories across Family Care, Family Care Partnership, IRIS, PACE, the Children's Long Term Supports waiver program, SSI Managed Care, BadgerCare Plus Managed Care, and Medicaid fee for service state plan services.

FFS Medicaid – Acute Care and Pharmacy (RCC/IMD supplement). Due to anticipated decline in Medicaid enrollment the cost in these services are projected to decline by \$31.7 million in the first year of the biennium and \$54.8 million in the second year. This decline incorporates an assumption of continued cost for the Residential Substance Use Disorder benefit and GPR funding to replace discontinued federal reimbursement to provide continuing services to children in foster care residing in Residential Care Centers determined to be Institutions for Mental Disease (IMDs).

IRIS and CLTS Waiver Programs. Assumes increase in IRIS program costs by \$90.3 million GPR over FY23 expenditures. The request also includes a reestimate of the Children's Long Term Supports (CLTS) waiver program sufficient to cover the full cost of providing CLTS services for all eligible children without maintenance of a waiting list. This estimate assumes CLTS costs in the 2023-25 biennium will increase by \$10.8 million GPR over projected FY23 expenditures, after adjusting for 2023-25 FMAPs.

Medicaid Enrollment. At the end of the post-PHE renewal period in February 2024, full-benefit Medicaid enrollment is expected to be 1,090,451 members, a 26% decrease from January 2023 peak enrollment and 3% above March 2020 enrollment.

Medicaid Base Re-Estimate. The total biennial cost to operate the Medicaid program in the 2023-25 biennium is projected to be \$13.9 billion AF (\$5.06 billion GPR/SEG, \$1.42 billion PR, and \$7.42 billion FED) in FY24 and \$13.8 billion AF (\$4.91 billion GPR/SEG, \$1.33 billion PR, and \$7.55 billion FED) in FY25. It is projected that \$451.8 million GPR/SEG in FY24 and \$302.9 million GPR/SEG in FY25 is needed to fully fund projected costs in the Medicaid program.

DEPARTMENT OF SAFETY AND PROFESSIONAL SERVICES ([full request](#))

DSPS is one of a handful of agencies that received clearance from the Governor to request staffing increases. The DSPS overview notes that since the agency's inception, their staffing has declined from 400 to 250 employees. Their proposal includes authority to add an additional 72 positions overall with 9 FTE dedicated to license processing for the health team (see detail below).

Among their goals are to process 97% of credential holders using the website and issue 75% of licenses within 30 days.

License Processing. The department requests ongoing funding of \$968,700 PR-O and 16.0 FTE permanent positions in FY 24 and \$1,246,900 and 16.0 FTE permanent positions PR-O in FY 25 to ensure efficient and effective processing of license applications. The department requests 14.0 FTE License Permit Program Associates to ensure near real-time review of licensure material as it is submitted by the applicant. Of the 14.0 FTE positions, 8.0 FTE will be designated for the Health Team and 6.0 FTE will be designated for the Business, Trades and Manufactured Homes Team. The position requests also includes 1.0 FTE paralegal and 1.0 FTE Records Management Program Supervisor for the Health Team.

DSPS notes that the Division of Professional Credential Processing handles over 250,000 applications per year, which does not include applications that are not completed, which also require staff time for review and evaluation. DSPS also notes that the addition of a supervisor in the health team would create a more reasonable supervisor-to-report ratio to enable proper coaching, mentoring, training, and staff support to improve productivity and reduce turnover.

DEPARTMENT OF CHILDREN AND FAMILIES ([full request](#))

The DCF biennial budget request includes budget re-estimates and streamlining of various appropriations. The re-estimates appear to be for the purpose of capitalizing on the federal revenue available to the Department and shifting GPR to other areas where federal claiming requirements have changed. The streamlining of appropriations appears to be rooted in a desire to create more flexibility in the use and/or distribution of funds. The proposed budget continues the agency's focus on expanding access to quality early care and education, its child welfare transformation, and connecting workers to family-supporting employment. A notable change in agency goals pertains to a 5% reduction in group care placements. This new performance measure replaces the prior OHC placement measure which was in response to the Jeanine B. lawsuit and consent decree, from which DCF was released in 2021.

Milwaukee Child Welfare Re-estimate. Funding for aids payments and contracted services is being adjusted to reflect projected changes in caseloads, service expenditures, and federal claiming rates. The re-estimate decreases funding by nearly \$1 million.

State Foster Care, Adoption Assistance, Subsidized Guardianship, and Public Adoption Services Re-estimate. The funding for Adoption Assistance, State Foster Care, and Subsidized Guardianship programs is being adjusted to reflect current expenditures and changes in federal claiming rates. Public Adoption Services need to be adjusted to reflect federal Adoption Savings expenditure requirements and changes in federal claiming rates. The Department projects a loss in year 1 of the biennium.

Streamlining Funding for Older Youth Services. To create a more integrated and coordinated continuum of care and programs to assist vulnerable older youth the Department is proposing a consolidation of several GPR appropriations. The funds that would essentially be "bundled" under this change include Brighter Futures funding, grants for Runaway and Homeless Youth programming, and grants in place to address Sex Trafficking. There is no financial impact with this change. A total of \$4,264,900 would be made available in each year of the biennium for these programs.

Changes to Youth Aids Formula. The Department is seeking to modify the funding statutes and to reallocate GPR between appropriations used for Youth Aids. This would simplify the allocation methodologies and make the process more transparent for stakeholders, more consistent for administrators, and more likely to promote the full and efficient use of resources. There is no financial impact with this change.

Secure Residential Care Centers for Children and Youth (SRCCCY) Bonuses. In response to the anticipated creation of at least one SRCCCY, the Department is requesting \$750,000 to fulfill the requirement under Wis. Stat. s. 48.527 that it provides a bonus to a county operating a SRCCCY.

TANF/CCDF Re-estimates. In addition to the increases/decreases noted below, the Department intends to sunset the Offender Re-entry Demonstration Project and corresponding evaluation. (Note: Appropriations with no change are not included below.)

49.175(1)

(a) Wisconsin Works benefits \$39,299,700 in SFY24 / \$45,195,100 in SFY25 (INCREASE BOTH YEARS)

(b) Wisconsin Works agency contracts; job access loans \$63,693,200 in SFY24 / \$57,323,200 in SFY25 (INCREASE YEAR 1)

(g) State administration of public assistance programs and overpayment collections \$18,654,900 in SFY24 / \$18,935,500 in SFY25 (INCREASE BOTH YEARS)

(i) Emergency assistance \$6,137,400 in SFY24 / \$6,279,900 in SFY25 (INCREASE BOTH YEARS)

(k) Transform Milwaukee and Transitional Jobs programs \$11,200,000 annually (INCREASE BOTH YEARS)

(Lm) Jobs for America's Graduates \$1,000,000 annually (DOUBLES CURRENT APPROPRIATION)

(p) Direct child care services \$373,782,600 in SFY24 / \$392,523,900 in SFY25 (SLIGHT REDUCTION IN YEAR 1 / SLIGHT INCREASE IN YEAR 2)

(q) Child care state administration and licensing activities \$44,933,300 in SFY24 / \$44,659,100 in SFY25 (INCREASE BOTH YEARS)

(r) Children of recipients of supplemental security income \$12,762,400 in SFY24 / \$12,188,900 in SFY25 (APPROXIMATELY A \$6 MILLION DECREASE BOTH YEARS)

(s) Kinship care and long-term kinship care assistance \$26,051,600 in SFY24 / \$25,485,700 in SFY25 (DECREASE BOTH YEARS)

DEPARTMENT OF PUBLIC INSTRUCTION ([full request](#))

The Governor provided a preview of the Department of Public Instruction budget proposal in a [press announcement](#) last week. The K-12 budget proposes an additional \$2.1 billion in GPR spending in the coming biennium with a focus on increasing per pupil aid, adjusting revenue limit authority, increasing general aids and special education categorical aid and creating a categorical aid program for school mental health. ([DPI Summary Release 9.15.22](#))

Special Education Categorical Aid. Request \$753.9 million over the biennium to increase reimbursement rates to 45 percent in FY24 and 60 percent in FY25 to enable districts to address rising costs of special education and the increasingly complex needs of students.

Aid for Comprehensive School Mental Health Systems. Request \$117.9 million in each year of the biennium for creation of a categorical aid program to support comprehensive school mental health systems in schools. The proposal would eliminate the current \$10 million annual school-based mental health service grants and instead shift this base funding over to the new categorical aid for a total annual spend of over \$240 million. Under this new aid program, the department would provide a minimum award of \$100,000 per LEA, plus \$100 per student (using prior year enrollments). The intention is that LEAs be permitted to use the aid for a broad array of purposes including collaborating/contracting with community mental health providers and others for consultation, training, mentoring and coaching, but not for direct treatment services or insurance deductibles. Each LEA's award amount would be made available early in the school year, but the actual monies would be distributed to LEAs under a claims reimbursement model, requiring supporting documentation of expenditures for allowable activities. (See detail pgs 199-206)

Aid for School Based Mental Health Professional Staff. Request \$18 million GPR in each year of the biennium to reimburse school districts, independent charter schools and choice schools for the costs of school based mental health professional staff which includes school counselors, school psychologists, school nurses and school social workers. This expands on a current program that reimburses for school social workers. (See detail pgs 209-214)

Peer-to Peer Suicide Prevention Grants. Increase the maximum allowable grant award for Peer-to-Peer Suicide Prevention Grants from \$1000 to \$6000. There is no increase in the appropriation. (detail pg 215)

Mental Health Training Program. The department requests increases of \$580,000 GPR in FY24 and \$580,000 GPR in FY25 to increase support for existing mental health training programs and to expand the types of mental health trainings that can be offered beyond the three specific program strategies authorized under current law. The department also requests that the mental health trainings be made available for staff working in out-of-school time programs that serve school-aged children and youth. Examples of additional curriculum that could be offered with increased flexibility in training funding include Compassion Resilience, Bullying Prevention and Restorative Practices. Under current law the training investment is limited to Youth Mental Health First Aid, Trauma Sensitive Schools and SBIRT.

Grants for Out-of-School-Time Programs. Request \$20 million in the second year of the biennium for grants to support schools and community based organizations in offering afterschool/out-of-school programming. (see pg 281)

Universal Free Meals Program. Create a new \$120 million GPR appropriation to cover additional student access to free school meals.

School Breakfast Reimbursement Aid. \$4.3 million GPR in FY24 and \$4.6 million GPR in FY25 to fully fund the school breakfast reimbursement aid program at 15 cents per meal. Eligibility for the program would be expanded to include independent charter schools and the two residential schools operated by the department, as well as to residential care centers for children and youth.

DEPARTMENT OF CORRECTIONS ([full request](#))

The budget prepared by the DOC seeks to maintain increases in workforce investments approved in the 2021-23 compensation plan, noting the critical role such investments play in the recruitment and retention of correctional institution personnel. In addition, the Department of Corrections requests \$185,000 GPR in FY24 and \$185,000 GPR in FY25 for resources to assist with recruiting and hiring staff to fill vacant positions within the Department. Notable changes in stated goals for the Department include the addition of a goal targeting a reduction in overdoses and overdose deaths for clients on DCC supervision and increasing the number of educational hours for youth to 5 hours/school day (an increase of 1.25 hours compared to the prior goal). Other highlights include:

Reimbursement for Local Law Enforcement Services. The Department is requesting a statutory language change that would allow them to reimburse local governments for law enforcement investigative services (county, city, village or town). Currently, they are only allowed to reimburse counties for such services. A corresponding reallocation of funding in FY24 and FY25 in the amount of \$125,700 is included with the change.

Increases in Juvenile Correctional Facility Rates. The Department is seeking to increase the daily rate for each youth in Copper Lake and Lincoln Hills from \$1,178 in 2022 to \$1,246 in 2023 and \$1,268 in 2024.

Mendota Juvenile Treatment Center Contract. The Department is requesting \$447,300 PR in FY24 and \$637,100 PR in FY25 to contract with the Department of Health Services for mental health beds for juveniles placed at the Mendota Juvenile Treatment Center.

Serious Juvenile Offender (SJO) Program. The DOC is requesting a significant increase in funding for the SJO program in the second year of the biennium. It is seeking \$1,567,700 GPR in FY24 and \$5,999,400 GPR in FY25 to provide juvenile institution care, alternate care, and community supervision for Serious Juvenile Offenders. The department request 4.does not include further information regarding the need for increased budget in FY2

OTHER AGENCIES

Other state agency requests of note include:

District Attorneys and Public Defenders. Both Das and PDs are seeking wage increases to address compensation and workload issues. The DA increase would amount to a 32% increase in the biennium and PDs are requesting an 18.5% increase.

UW System. The UW is seeking \$293 million to fund among other priorities a “Wisconsin Tuition Promise” which would cover up to four years of tuition and fees for students from families earning less than \$62,000/annually.